

SUPREME COURT OF THE UNITED STATES.

No. 142.—OCTOBER TERM, 1926.

De Forest Radio Telephone & Tele- graph Co., Appellant, <i>vs.</i> The United States.	}	Appeal from the Court of Claims.
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[February 21, 1927.]

Mr. Chief Justice TAFT delivered the opinion of the Court.

This is an appeal from a judgment of the Court of Claims dismissing the petition of the appellant on the 4th of May, 1925. This was before the effective date of the Act of February 13, 1925, c. 229, 43 Stat. 936, by which direct appeals under sections 242 and 243 of the Judicial Code from the Court of Claims were repealed, and the review by certiorari was substituted.

The De Forest Radio Telephone & Telegraph Company filed its petition in the Court of Claims against the United States, seeking to recover for an alleged unlawful use by the Government of certain patented vacuum tubes or audions used in radio communication. The suit was brought under the Act of June 25, 1910, c. 423, 36 Stat. 851, as amended by the Act of July 1, 1918, c. 114, 40 Stat. 704, 705. The Act of 1910 provided that whenever an invention described in and covered by a patent of the United States should thereafter be used by the Government without license of the owner or lawful right to use it, the owner could recover reasonable compensation for the use in the Court of Claims, provided that the United States could avail itself of all defenses, general or special, which might be pleaded by any other defendant charged with infringement. The amending Act of 1918 enlarged the scope of the Act by providing that the recovery by the owner should include compensation for patented inventions used or made by or for the United States.

The petition showed that the two patents involved in the suit were granted to De Forest and by him were duly assigned to the appellant, the company bearing his name, that that company exe-

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cuted and delivered to the Western Electric Company a written instrument conveying certain rights in the patents which were subsequently conveyed to the American Telephone & Telegraph Company. This contract was set out in the petition. In consideration of one dollar and other good and valuable considerations it granted a license to make, use, install, operate and lease, and to sell or otherwise dispose of to others for sale, installation and operation, apparatus and systems embodying or made or operating in accordance with the invention. It purported to give this license for the full terms of the patents and for all transferable rights of the De Forest Company in the inventions, except such as were expressly reserved by that company. The reservations included non-assignable rights for the purpose of making the articles in question for, and selling them to, the United States Government for its use. The instrument further provided that the Western Company and the De Forest Company might respectively institute and conduct suits against others for any of the patents within the fields in which each respectively possessed rights, but that all such suits should be conducted at the expense of the party bringing them, that party to retain any judgment recovered in any such suits.

Par. 12 of the instrument provided that the Western Company might transfer to others, in whole or in part, the rights granted by the instrument, and might assign rights thereunder or grant licenses to various persons, firms or corporations for the several uses to which the inventions were applicable. The petition further alleges that the United States being engaged in war informed the American Telephone & Telegraph Company that it desired to have large numbers of the audions made promptly for it by the General Electric Company and others, that the American Telephone & Telegraph Company replied by writing to the Chief Signal officer of the Army that it would not do anything to interfere with the immediate manufacture of the audions, provided it were understood and agreed that the Telephone & Telegraph Company "waived none of its claims under any patents or patent rights owned by it on account of said manufacture, and that all claims under patent rights and all patent questions be reserved and later investigated, adjusted and settled by the United States." The plan was accepted by the United States and the orders for said audions were thereafter given by the United States to said General Electric Company

and said Moorhead Laboratories, Inc., who made them and delivered them to the Government which used them.

The petition further alleged that for the purpose of assisting the United States to obtain said audions promptly pursuant to the orders given, the American Telephone & Telegraph Company furnished information, drawings and blueprints to the General Electric Company and permitted representatives and experts of the United States and of said General Electric Company to witness and study the manufacture of said audions by the Telephone & Telegraph Company, all to the end that the audions might be the more promptly made and delivered to the United States for use in the war in which it was then engaged.

After the filing of the petition in the suit, it was amended by an averment that after the audions were made and used by the United States, negotiations were carried on between it and the American Telephone Company, and that the latter company executed a release to the United States and all manufacturers acting under its orders of all claims for compensation for the making and use of the audions, and that the release included "all claims which had arisen or might thereafter arise, for royalties, damages, profits or compensation for infringement of any or all letters patent owned or controlled by the Telephone & Telegraph Company, whether expressly recited therein or not, for the manufacture or use prior thereto, and for use by the United States occurring thereafter."

The petition was demurred to, the demurrer was sustained and the petition dismissed. It is conceded by the parties that on the face of the petition, with the contracts which were made exhibits, the De Forest Company and the American Telephone & Telegraph Company had each the right to license to the United States the making and use of these audions, and that if either did so license them it would be a complete defense to a claim for damages for the tort of infringement by the other.

The sole question therefore which the Court of Claims considered and decided against the appellant was whether on the facts recited in the petition the American Telephone & Telegraph Company had in fact given a license to the United States to have made and use these audions covered by the patents. In other words, was the claim which the American Telephone & Telegraph Company had against the United States for the manufacture and use of the audions, based on a contract or was it based on a tort? If

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it were the former, it was a full defense to any claim by the De Forest Company. If it were the latter, the De Forest Company was entitled to recover under the Act of 1918.

The appellant says that the necessary effect of the allegations of his petition is that the Telephone Company said to the United States, in answer to the United States' notice that it wished to make and use the audions, "You will be infringing my rights. I shall not stop you but I notify you that I shall hold you for such infringement", and therefore that the subsequent acts of the United States and its manufacturers were torts. We think a different construction should be given the allegations. The agreement by the Telephone Company that it would not do anything to interfere with the immediate making of the audions for the United States, interpreted in the light of its subsequent action in assisting the United States to a prompt making of the audions for its use, in furnishing the needed information and drawings and blueprints for such manufacture, and in giving to the experts of the United States and its manufacturers the opportunity to witness and study the manufacture of audions by the Telephone Company, to the end that the audions might be more promptly manufactured and delivered to the United States for use in the war, made such conduct clearly a consent to their manufacture and use and a license, and this without any regard to the effect of the subsequent release by the Telephone & Telegraph Company of compensation for such manufacture and use. No formal granting of a license is necessary in order to give it effect. Any language used by the owner of the patent or any conduct on his part exhibited to another, from which that other may properly infer that the owner consents to his use of the patent in making or using it, or selling it, upon which the other acts, constitutes a license and a defense to an action for a tort. Whether this constitutes a gratuitous license or one for a reasonable compensation must of course depend upon the circumstances; but the relation between the parties thereafter in respect of any suit brought must be held to be contractual and not an unlawful invasion of the rights of the owner. Concede that if the owner had said, "If you go on and infringe my patent, I shall not attempt to enjoin you, but I shall subsequently sue you for infringement", the tort would not be waived, that is not this case. Here the circumstances show clearly that what the Company was doing was

not only fully consenting to the making and using by the United States of the patent but was aiding such making and using and in doing so was licensing it, only postponing to subsequent settlement what reasonable compensation, if any, it might claim for its license. The case of *Henry v. Dick*, 224 U. S. 1, in its main point was overruled in the *Motion Picture Patents Company v. Universal Film Company*, 243 U. S. 502, but that does not shake the authority of the language of the Court in the following passage (p. 24) :

“If a licensee be sued, he can escape liability to the patentee for the use of his invention by showing that the use is within his license. But if his use be one prohibited by the license, the latter is of no avail as a defense. As a license passes no interest in the monopoly, it has been described as a mere waiver of the right to sue by the patentee”, citing *Robinson on Patents*, sections 806 and 808.

In this case the language used certainly indicated the purpose of the Telephone Company not to seek an injunction against infringement and not to sue for damages therefor, but only to sue or seek for an amicable settlement by payment of just compensation. Such action by the Telephone Company was a license and constituted a complete defense against a suit for infringement by the De Forest Company.

Judgment affirmed.

A true copy.

Test:

Clerk, Supreme Court, U. S.